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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001065

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SUBJECT: INTEK -- BACKGROUND ON A UNIQUELY SUCCESSFUL
COMPANY IN TURKMENISTAN

Classified By: Charge d'Affaires Sylvia Reed Curran for reasons 1.4 (B)
and (D).

1. (C) SUMMARY: Intek is a successful information technology, printing, and technical education company that was founded right after independence by Artur Ovezmuradov. A FLEX alumna is head of Corporate Sales discussed the company's long and impressive list of government, corporate, and international community customers. Although it is commonly assumed that Turkmenistan is technologically behind, Intek installed satellite dishes for the State Migration Service and Turkmenneft (Turkmenoil), linking all of their provincial offices with headquarters. Intek has contracts with the Ministry of Education as well as with the Presidential Apparatus. It is one of a very, very few companies that operate on this level in Turkmenistan and may be the best in terms of product and service offering and staff competence. Questions about the founder failed to uncover information about his background or connections, but it would be hard to believe that he would have been allowed to continue to run such a successful company without ties to the leadership. Intek is in a good place to become even more successful as Turkmenistan continues to open up to the wider world. END SUMMARY.

COMPANY BACKGROUND

2. (C) FLEX (high-school) exchange alumna Maral Ilyasova is head of Corporate Sales for Intek, a Turkmen company that has fashioned itself as an "information systems integrator" over its 16-year history. Intek is the official distributor of Hewlett Packard, Xerox, Sanako (language laboratory equipment from Finland), Legrand Electric Limited (electrical equipment from France), APS/MGE (uninterruptible power supply manufacturer), 1S (Russian accounting software), Microsoft Office software, Kaspersky anti-virus software, and Ideal (German shredders and staplers). Intek has several offices in Ashgabat: a headquarters; a "Turkmenxerox" printing center that prints business cards, documents, and publication for corporate customers; a service center that sells computers and printers; and an education center that offers training in computers, accounting, and English. At a meeting on August 12, Ilyasova said that most of Intek's 150

employees are young and energetic, and have studied abroad. Ilyasova said that the company plans to hire more ambitious young people, targeting candidates with English-language skills and a desire to work. Artur Ovezmuradov created Intek after Turkmenistan's independence and continues to lead the company. Previously, Intek had a freestanding retail shop, but decided to focus on corporate projects. The company has long-term plans to get back into retail. Although the company used to sell computers under the Intek label, since it is cheaper to buy hardware from Hewlett Packard, they discontinued this practice.

CURRENT CONTRACTS AND CUSTOMERS

13. (C) Intek's list of current contracts and customers is impressive:

-- The company installed Gilat satellite equipment (Israel) on top of the State Migration Service headquarters, which links all provincial offices throughout the country. Intek also sold the State Migration Service a local area network system and computer equipment.

-- After seeing what Intek did for the State Migration Service, state oil company Turkmenneft wanted a similar system that would assist in tracking gas extraction. Intek installed a satellite dish that links all Turkmenneft offices throughout the country, as well as a private branch exchange (PBX) phone station manufactured by Iskarateling (Denmark).

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-- The Ministry of Education awarded Intek a contract for 12,000 computers. This contract was subsequently split into two parts in order to accelerate completion of the project. Lenova (China) supplied about half of the computers, and Intek delivered 7,000. Also, Intek is in the middle of its second contract to supply interactive SmartBoards to schools around Turkmenistan. According to Ilyasova, due to President Berdimuhamedov's familial connections to Esenguli, the Ministry of Education purchased 114 computer stations and 14 SmartBoards manufactured by Promethian (U.K.) for Esenguli schools. Ilyasova also said that three companies won a tender for computer equipment and SmartBoards. Intek will supply SmartBoards manufactured by Interride Learning (U.S.) and Promethian, as well as Hewlett Packard computers and Hewlett Packard Laser Jet printers. Local Hitachi distributor Infotech will supply SmartBoards as well. Intek supplied NetOp software to the Ministry, which links student computers to the teacher's computer. Intek is expecting to win a fourth tender in December. Ilyasova said that education is "under the president's direct supervision and he is watching carefully."

-- Intek supplies Hewlett Packard and Xerox cartridges to the Presidential Apparatus. According to Ilyasova, the president is a "constant client." Intek also serves Ashgabat's diplomatic community, as well as Turkish construction company Polimeks, for which Intek is working as a subcontractor for equipment on the new parliament building.

-- Buried Hill Serdar Ltd. awarded two tenders to Intek for Systemax equipment and for Hewlett Packard servers. Oil and gas industry-specific software that unifies the local system with the headquarters in Canada was also a part of this tender.

-- Russian cellular service provider MTS purchased equipment manufactured by Legrand and Hewlett Packard, as well as Sun Microsystems servers.

-- The Central Bank, Vneshekonombank, and Dayhanbank purchased de la Rue bank note counters.

-- Intek plans on participating in the upcoming passport tender.

BUSINESS CHALLENGES ABOUND, INCLUDING LACK OF CAPACITY

14. (C) When prodded, Ilyasova mentioned several business challenges. The lack of a courier service such as DHL makes shipping broken parts difficult, and customers must wait up to two weeks for replacements. The State Customs Service asks for proof that parts are for a computer and makes it difficult to send out old parts, and changes rules and regulations on a whim. The lack of an international banking system is also problematic, but better now that the exchange rate is unified. The company has written contracts just in order to facilitate currency exchanges, as Turkmenistan will allow currency exchange only for the amounts listed in contracts. Senagat Bank can provide a bank guarantee or a letter of credit, but since Turkmenistan is not a trusted trade partner in many places, this remains a challenge. Ilyasova believes that the situation is getting better, but noted the lack of bureaucratic capacity as another significant challenge that will be difficult to overcome.

15. (C) COMMENT: Intek is one of a very, very few companies that operate on this level in Turkmenistan and may be the best in terms of product and service offering and staff competence. Questions about Ovezmuradov (unsurprisingly) failed to uncover information about his background or connections, but it would be hard to believe that he would have been allowed to continue to run such a successful company without significant connections. One local contact

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said that Ovezmuradov's father was reputedly a well-placed apparatchik during the Soviet period, which proved valuable as Artur opened Intel -- and his brother, Eziz, opened TurkmenXerox. This company is one to watch, because if Turkmenistan eventually opens more to the rest of the world, Intek will be well placed to become even more successful very quickly. END COMMENT.
CURRAN